

March 8, 2023

Hearing before Senate Finance Committee

SB 516

Senators and Esteemed Colleagues:

Thank you for the opportunity to provide testimony concerning the potential impact of Senate.

Bill 516 to Maryland's Cannabis Industry. We support this bill with amendments. This bill, along with HB 566 are of the utmost importance to the continued success of cannabis dispensaries, including Dispensary Works located in Southern Maryland. Each of the existing licensees has been integral to building this industry "brick by brick" into a successful industry, providing the highest quality product to meet essential medical needs.

As a native Marylander with modest beginnings, I am proud and grateful to be among the first Medical Dispensary licensees in our State, and we look forward to meeting the additional market for adult use.

We are concerned about any limitation on our ability to buy in bulk and package at the individual dispensary level. Our facility was specifically designed with the security, technology,

standard procedures, and personnel necessary to prevent diversion. We have over 30 cameras in a 2300 sq. ft. space, stringent access controls to operational areas, intensive training for new employees, and the oversight to prevent diversion. As a single license owner, we use bulk buying as a means to compete with larger dispensaries and vertically integrated companies. Buying in bulk allows us to offer lower prices to our customers, and to buy more varied product to meet the needs of our patients. We urge you to remove any provision of the bill that would take away our ability to buy in bulk and package product at our facility.

I've included below our comments regarding HB 566, as a convenience in your potential integration of provisions from that bill.

HB 556 speaks to a total of some 500 licenses in the coming years, including newly defined license categories. It is imperative that we institute the right size of this industry as we go forward. We have some concern about 500 dispensary licenses being too many, based on experience in other states, where over time cannabis dispensaries have failed in large numbers.

Unaffiliated dispensaries, such as mine, have struggled greatly to compete with the larger, vertically integrated licensees. It's a very tough cannabis market at this time, with some individual dispensaries suffering up to 30% loss in profit margins. We have seen pricing ebb and flow sharply at times due to oversupply as we anticipate and prepare for the adult-use market.

We appreciate that license awards will be staggered and urge Maryland to re-evaluate carefully as we go forward with each round of new licenses.

As a dispensary owner, we are particularly concerned about the establishment of Micro-Dispensaries and anxious to have this concept clearly defined. Would they have softer licensing requirements, operate out of non-storefront space, buy wholesale product? Would they have defined sales thresholds to observe? We are concerned about any potential unfair advantage this may create over existing, traditional dispensaries.

Please consider shortening the moratorium for transfer or sale of licenses for existing licensees. We have already observed a moratorium of 3 years, and many dispensaries were established more than 5 years ago. Even with a very successful business, owner(s) could have personal life changes requiring a change in ownership, and the inability to sell or transfer could create significant loss if they need to give up ownership/management of their business.

As we convert to county-based licensing, rather than congressional district, we wonder if this was done to distribute dispensary locations more evenly. The advantage is unclear to us. As we established our business, every dispensary location was secret until it opened, providing no opportunity to choose a different location if there were too many close by. We have no

objection to issuing based on number per county, but we would like to understand more how the State may reduce the clustering of businesses in close proximity.

Lastly, the high price for converting existing licenses is burdensome. We are experiencing significant expense as we expand our dispensary facility, and a payment plan would be extremely helpful. The high price of operating a cannabis business, coupled with expanding our facility leaves little room for unexpected costs should we have to pay the conversion fee in one payment. We support the House amendment to provide a payment plan.

Thank you again for the opportunity to express our sincere concerns as we look forward to a new market, and continued success in the cannabis industry.

Sharron Sample, CEO, Dispensary Works, LLC